

Chapter 29:

Guidelines for Monitoring and Evaluation Plans



REDUCING POVERTY THROUGH GROWTH

Guidelines for the Development of Monitoring and Evaluation Plans

Guidelines for MCA Eligible Countries to use in the development of Monitoring and Evaluation plan for their proposed Compact

Last updated: November, 2006

Contents

Glossary of Terms	3
I. Introduction.....	6
II. Economic Analysis and M&E	7
III. Performance Monitoring	11
IV. Evaluation.....	18
V. Managing M&E in Implementation	22
VI. Budgeting for M&E	24
VII. M&E in Key MCC Documents	28
VIII. Conclusion.....	30
Appendix A: Timing Chart	31
Appendix B: Example of Program Logic Diagram	32

Glossary of Terms

The following is a list of key terms and definitions related to monitoring and evaluation at MCC.

Baseline data: Information collected before a development intervention takes place or before services are received. Baseline data is used for comparing changes throughout implementation.

Beneficiary: Individuals or groups that derive an economic or social benefit from a development program or intervention. (Source: IFAD)

Control group/Comparison group: A group of people who do not participate in a program or receive its benefits. A control group is identical to the treatment group (individuals who *do* participate in a program or receive its benefits) except that they have not received the treatment (this is usually achieved through random assignment). A comparison group is similar to a control group except that it cannot be guaranteed that both groups are similar in all respects except for the program. The control group is compared to a treatment group to evaluate the impact of the program. A “comparison group” may serve the same purpose, but is not randomly selected.

Counterfactual: The counterfactual identifies what would have happened, absent the development program or intervention.

Evaluation: Use of social research methods to study, appraise, and help improve social programs in all their important aspects, including diagnosis of problems they address, conceptualization and design of programs, implementation and administration, as well as effectiveness and efficiency of outcomes. (Source: *Evaluation: A Systematic Approach*)

Goal: For MCC purposes, the goal of every Compact is poverty alleviation through economic growth.

Impact: The difference in well-being that can be directly attributed to a program or intervention.

Impact evaluation: An assessment of the extent to which changes in well-being can be attributed to a particular project, program or policy. Impact evaluations estimate the magnitude of effects and assign causation. It is distinct from other types of evaluation in that it compares observed outcomes to a counterfactual. (Source: World Bank)

Indicator: Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect changes connected to an intervention, or to help assess the performance of a development actor. (Source: OECD)

Input: Resources, financial or otherwise, that are devoted to a development program or intervention.

Management Information System (MIS): A system of inputting and organizing data to produce management reports, and to assist in monitoring and controlling the project organization, resources, activities and results. (Source: IFAD)

Monitoring: A continuing function that uses systematic collection of data on specified indicators to provide the main stakeholders of an ongoing development intervention with information on the progress and achievement of objectives as well as the use of allocated funds. (Source: OECD)

Objective: For MCC purposes, an objective is typically the final result of a Compact project, contributing to the overall Compact goal of poverty reduction through economic growth.

Outcome: A change in behavior, knowledge, skills, attitude, etc. of individuals or groups as a result of a specific project. These changes can take place at an intermediate or higher level (medium to long run).

Output: Direct products of an intervention.

Program Logic: The economic logic describing the means through which a specific intervention or set of interventions results in economic growth and poverty reduction.

Target: a specific value of a performance indicator that is desired in a program. Targets indicate the number, timing and/or location of expected results.

I. Introduction

A founding principle of the Millennium Challenge Account (MCA) was to plan for monitoring and evaluation (M&E) at an early stage in program design in order to boost the effectiveness, accountability, and transparency of development assistance. MCA Compact development includes defining clear objectives and benchmarks to measure progress and a plan to measure results.

Monitoring and evaluation covers the entire life cycle of an MCA program from concept through implementation and beyond. In general, it covers three main stages:

1. M&E begins with the **Economic Analysis** for every proposal submitted to MCC. Assessing the economic growth rationale for an investment, calculating an economic rate of return (ERR), and estimating the poverty reduction impacts are key components of the analysis. The Economic Analysis then serves as the basis for selecting key performance indicators and targets to be monitored throughout the life of the Compact.
2. The eligible country and MCC then agree on a plan for **Monitoring** the performance of the Compact. Planning for this begins early in the development process to focus attention on the ultimate poverty reduction and economic growth results rather than on inputs or disbursements. The primary purpose of performance monitoring is to identify problems early-on and make mid-course corrections during implementation in order to improve the ultimate impact of programs.
3. While good program monitoring is essential, it is not sufficient to measure the impact of a program on the well-being of beneficiaries. For this reason, **Impact Evaluations** are a central component of M&E Plans.

The details of this process are documented in the M&E Plan to be used as a reference over the life of the Compact. The purpose of this guidance document is to assist eligible countries in the preparation of the plan. MCC will provide more detailed guidance and advice at each stage of the Compact development process. However, the preparation of the M&E Plan is a key responsibility of the country, and eligible country counterparts should complete as much of the document as possible during proposal and Compact development. The following sections explain each part of the plan.

II. Economic Analysis and M&E

As mentioned in the previous section, the economic analysis sets the stage for the monitoring and evaluation work and the M&E plan. This section provides a brief overview of MCC's approach to economic analysis and explains how it relates to monitoring and evaluation and how information from the economic analysis is used to prepare the M&E Plan.

The first step of the economic analysis is to explain clearly the logic and establish the channels through which the program is expected to accelerate economic growth and reduce poverty. The economic analysis should also clarify the rationale for public funding and ensure that the program addresses key constraints to economic growth. The analysis also seeks to measure the economic growth impact of proposals at the micro-economic level by estimating the increase in incomes of households (or value-added of firms) that the program will generate. To the maximum extent possible this estimation should use properly evaluated results from previous, similar programs. However, since such impact evaluation studies are often not available, the estimation will inevitably entail forecasts of key variables which will then have to be carefully monitored during implementation. The estimates of the increases in income are the backbone of the *economic rate of return* (ERR) estimates used to justify funding.

For more details on the calculation of ERRs, see MCC Guidelines for Economic Analysis (http://www.mcc.gov/guidance/FY06/Guidelines_for_Economic_Analysis.pdf).

Once the ERR analysis is completed, it feeds into several aspects of monitoring and evaluation, which are outlined below.

A. Program Logic Diagram

The Program Logic Diagram is a summary graphic of the Program's key activities, and how those activities will generate economic growth and poverty reduction. It essentially outlines the hypothesis of how Program activities will yield certain results, which, in turn will produce increases in value-added and incomes that sustain growth and reduce poverty. The Program Logic Diagram should flow directly from the Economic Analysis, as that analysis has already evaluated the validity of these linkages and underlying assumptions and highlights the logic of the intervention and the mechanisms by which it will have the greatest impact.

For an example of a Program Logic Diagram, see Appendix B.

B. Key Indicators and Targets

The economic analysis determines the main variables that drive program results, produce a high economic rate of return, and have the greatest impact on beneficiaries.

These variables can then become performance indicators. Specific values of these

Example: How Economic Analysis Translates into Performance Indicators

An agriculture project that seeks to increase land productivity (and therefore the incomes of farmers) may project increases in crop yield per hectare in the following manner:

Year	0	1	2	3	4
Crop Yield (kilograms/ Hectare)	120	135	160	200	240

Using these projections, the M&E could include the following as a performance indicator in the M&E plan:

Year	Baseline Value	1	2	3	4
Increases in crop yield (kg/hct) in the intervention areas	120	135	160	200	240

indicators, taken from the economic analysis, can then become baselines and targets. Further, in order to track trends outside the control of the Program, indicators could also come from the key assumptions of the economic analysis.

There are several implications of translating key benefit streams in the economic analysis into key indicators and targets. First, indicators that signal whether the program will have the economic growth impact predicted in the economic analysis should be highlighted as such by linking them to future disbursements in the Disbursement Agreement.

Continuing on the above example, for instance, funding for continuation of the agricultural program could be conditioned upon meeting the increases in crop yield that the economic analysis projected.

Second, since estimates of benefit flows in the economic analysis can ultimately become monitoring targets linked to disbursements, countries must strike a balance between targets that are ambitious (i.e. benefits of the project outweigh the costs and produce strong results) and achievable (i.e. grounded in evidence and feasible to reach over five years).

Finally, ERRs should be recalculated at the end of the program or sometime after its completion. In order to perform this exercise, it is important that the Monitoring

Component (discussed in the next section) includes plans to collect the appropriate data.

C. Beneficiaries

As mentioned previously, the first step of the Economic Analysis is to define the intended beneficiaries and the set of actions that are necessary and sufficient to achieve the desired impact on their income level. Defining the beneficiaries should include the total number of people that will benefit from the intervention as well as the gender, income level and age of these beneficiaries.

Furthermore, ex-ante beneficiary analysis should include a discussion of the country-specific poverty line for the eligible country as well as an extreme poverty line. The income level of beneficiaries can then be used to estimate the number of poor affected by the intervention. MCC prefers the use of poverty gap measures, or the difference between income at the poverty line and income of individual before and after the intervention, as the measure for poverty reduction. If data on total household income are available for households within a defined project area, the number of poor beneficiaries and the poverty gap of these beneficiaries could be estimated from these averages. Ideally, other demographic and inter-household information about beneficiaries should be included, such as education level, household size and type (single-female head, elderly head, two-parent head, etc.), rural versus urban, etc.

All of this analysis links to the development of indicators and targets in the Monitoring Component, as it helps to determine what and who to track during the program and which indicators should be disaggregated by gender, age, income, etc.

D. Assumptions and Risks

Identifying the assumptions and risks underlying the program logic is a necessary part of the economic analysis and should be described in the M&E Plan. The expected impact is based on specific assumptions about the links between individual activities and the long-term goal of increasing income and reducing poverty. Assumptions inform the economic return analysis, but also serve as a planning tool for overcoming, where possible, or minimizing external events that could affect program success. Risks highlight potential factors that could compromise the rates of return and economic and poverty impact of the program.

Example: Identifying Underlying Assumptions and Risks

A project to reform the policy and legal frameworks related to land ownership would increase incomes of landholders if the following assumptions held true:

- Policy and legal reform increase efficiency in land registration, reducing cost and time to deliver new or converted land titles
- Households in such an environment feel their land rights are more secure, and decide to make investments in their land that are likely to increase household income

At the same time, there are also risks that may compromise the economic impact of the project. These could include:

- Insufficient political will to implement policy- and legal-reform recommendations, resulting in a delay in project implementation and reducing the project's expected benefits.
- Land securitization may open dormant conflicts

As a result of this analysis, the program might include additional measures to handle potential conflicts or a verification that adequate measures exist already.

III. Performance Monitoring

Performance Monitoring helps track progress toward Compact goals and objectives, and serves as a management tool. It begins at the start of implementation and continues throughout the life of the Compact. In some cases, monitoring may continue beyond the Compact term, especially when principal poverty impacts are likely to occur post-implementation. This section discusses the various aspects of the monitoring component that should be included in the M&E Plan, including types of indicators, development of baselines and targets, data collection, reporting, and data quality reviews.

A. Indicators

An indicator is a quantitative or qualitative measure used to identify changes connected to an intervention. A good indicator is directly affected by the intervention in question, is easily measured, has clearly defined units (percent, hectare, etc.), and could show either a positive (increasing) or negative (decreasing) trend.

MCC's indicators are a direct product of the economic analysis conducted for each project or program. Indicators are typically separated in the following categories:

1. **Output/Activity Indicators:** These indicators directly measure project activities. They are a short term, immediate measure of the goods or services actually provided by a project. For example, farmer training might be one activity carried out under an agricultural development program. The corresponding output/activity indicators could include the number of trainings held, the number of farmers trained, etc.
2. **Outcome/Objective Indicators:** These indicators measure the intermediate (medium to long term) effects of an activity and are directly related to the output/activity indicators.¹ Using the agricultural development example above, an appropriate output/objective indicator might be the number of farmers implementing improved methods discussed in farmer training sessions. These indicators may or may not be distinct categories (i.e. an activity may have both outcome and objective indicators, or it may have only one level of 'intermediate' indicators), depending on the level of detail required for adequate monitoring.

¹ If anticipated program effects can be clearly separated into medium and long term effects, outcome (medium term) and objective (longer term) indicators may be defined separately.

3. **Goal Indicators:** These indicators measure the economic growth and poverty reduction changes that occur during or after implementation of the program. They may be reported at any time during a project, but in many cases it may be difficult to see a change in poverty levels or economic growth in the short term so it may be more logical to measure impact/goal indicators after an activity has been in place for some time. For MCC Compacts, goal indicators will almost always be a direct measure of income and/or poverty.

The following table provides another example of each category of indicator that might be tracked for an irrigation project. Rehabilitation of irrigation canals might be one of many activities carried out under an irrigation project.

Example: Irrigation Project Indicators

Activity	Output/ Activity Indicator	Outcome/Objective Indicator	Goal Indicator
Irrigation canal rehabilitation	Primary canals rehabilitated (km)	Additional land irrigated (ha) <i>And/or</i> Increase in area covered by high value-added crops (ha)	Poverty rate in rural areas (HCR)

The Monitoring section of the M&E Plan should include a table similar to this irrigation example, outlining several levels of indicators for each project. The indicators should be clearly identified and defined, including the unit of measurement and data source. (The section below provides an example of the specific information that should be included in the M&E Plan with regard to data collection.)

The M&E Plan should also disaggregate indicators by sex, age and/or income where possible. This informs the beneficiary profile to better understand not only who is benefiting from the Program, but also how Program results differ according to beneficiaries' basic demographic and socio-economic characteristics. If possible, the M&E Plan should also include indicators to measure gender impact.

B. Baselines and Targets

Baseline data and targets should be established, for each indicator, before project activities begin. Whenever possible, baseline data should come from existing sources. If baseline data are not available at the time of proposal submission, a plan and detailed budget for baseline data collection should be included in the proposal. Any additional data collection should reinforce existing efforts, and the broader use of this additional data – beyond MCA Program monitoring purposes – should be assessed. For example, baseline data could come from recent household survey data. If additional data is needed, through for example a larger sample size or additional questionnaire modules, every effort should be made to complement the existing process of collecting household data.

The Monitoring component of the M&E Plan should describe the process for establishing baselines and targets. As described above, targets are usually directly linked to and derived from the economic analysis spreadsheets. Targets should also take the natural rate of growth into consideration (or other assessment of the counterfactual) and the margin of error around each target should be specified where possible. For example, when tracking indicators related to microfinance performance, program managers should also track national average for the whole sector.

C. Data Collection

Monitoring data is typically a mix between existing surveys, administrative and budget data, country economic and financial data, and new surveys developed to measure key outcomes of interest to the Program. Both primary and secondary data can inform monitoring indicators.² As noted above, each indicator should be clearly and precisely defined and be directly linked to a specific data source. Indicators should use existing data sources or data collection mechanisms as much as possible.³

Because key indicators for all Compacts are typically related to income measures, existing national household surveys are often important sources of data for both performance monitoring and evaluation. Regular and continuous data collection for these surveys provides essential data for M&E especially when the Compact is expected to have an impact on a large segment of the population. Occasionally

² Primary data is data that is collected by an implementer or a funder primarily for its own use. Administrative records are an example. Secondary data is data collected by other institutions and that is available for a variety of analyses. An example of secondary data is a regular household survey conducted by a national statistics institute.

³ MCC supports the use of existing country monitoring frameworks where appropriate.

surveys could be adapted or modified to ensure that beneficiaries are represented in the survey, for example by increasing the sample size and/or the frequency of data collection.

The performance monitoring component of the M&E Plan, should describe national statistics that will be used, including other necessary surveys or data collection efforts, both quantitative and qualitative. Additionally, the data collection plan should specify who will collect data, how it will be collected, and the frequency of collection. As with the collection of baseline data, it is important that the data collection plan is established prior to beginning activities that will affect beneficiaries.

The following table builds on the irrigation example above to provide a sample data collection plan.

Example: Data Collection Plan

Indicator	Units	Source/Responsible Entity	Data Collection Instrument	Frequency
Goal: Poverty rate of zone I is reduced				
Poverty Rate (Poverty Headcount Ratio of current Zone I population)	%	National Statistical Agency	Household survey	Annual
Objective: Dry season production is enabled				
Dry season cropping intensity (Share of dry season irrigated land among irrigable land)	%	Institute for Rural Economy	Agricultural Survey	Annual
Outcome: Irrigable Land is Increased				
Land made irrigable by the Project (Annual increase in irrigable land in Zone I)	Hectares (ha)	Water Monitoring Authority for Zone I	Administrative Data	Annual

D. Reporting

Under MCC's Reporting Guidelines, each country is required to submit reports following the end of each fiscal quarter. Monitoring and evaluation information is contained in a Quarterly Progress Report and in Indicator Tracking Tables. The Progress Report includes information on both M&E management issues and program results, including implementation issues such as setting up necessary databases,

hiring of M&E staff, as well as key program results and milestones. The Indicator Tracking Table reports specific results against projected targets, explaining significant deviations from the targets. In addition to the reports, countries will be required to submit an Annual Supplement to the quarterly report due at the end of each US Fiscal Year (September 30). The report should provide a comprehensive overview of progress toward achieving Compact goals and objectives over the preceding year. As needed, the M&E Plan should outline the process and timing for contributing monitoring and evaluation content to these reports. All reports will be publicly available.

E. Data Quality Reviews

M&E data provide important information for project management and decision-making and on progress achieved towards the Program's objectives and goals. Consequently, the quality of data must be assessed regularly to maintain confidence in this information. Data Quality Reviews are a mechanism by which several steps for measuring and processing results – data collection, analysis, and dissemination – are compared to certain criteria to determine the utility, objectivity, and integrity of the information. The reviews should help to constantly improve collection, processing, and dissemination of data, ensuring transparency throughout. Data Quality Reviews should cover all data reported in the M&E Plan, including data submitted by implementers and any surveys financed through the Compact. To the extent possible, the quality of baseline data should be reviewed during Compact development and the early stages on implementation.

In conducting a Data Quality Review, performance indicators should be assessed based on the following criteria:

1. Validity

- Are the indicators defined well and are data reported in an appropriate format?
- Are the data gathered consistent with the documented definition of the indicators?
- Do they have a verifiable source?

2. Reliability - Is there:

- Consistency: Is the same data gathering process (including instrument and sampling process) over time and across regions?
- Quality Control: What are the procedures (data collection, maintenance and process) to guard against bias? Are procedures reviewed periodically? Are there random checks at each stage?
- Transparency: Are the procedures in writing and are problems reported?

3. Timeliness

- Are data collected and reported as regularly as relevant?
- Is reported data the most recent?
- Is the date of data collection clearly identified?

4. Precision

- If sampling is used, is the margin of error reported?
- Is the margin of error less than expected change in the indicator?
- Is the margin of error acceptable for decision-making, given cost/benefit?

5. Adequacy

- To what extent do the indicators for a particular expected result fully measure it?
- Are they sufficient to characterize and/or measure the result?

6. Practicality

- Is data collection and reporting overly costly compared to the extent to which it measures the intended result?

Data Quality Reviews should be conducted by an independent entity, such as a local or international specialized firm or research organization, or an individual consultant, depending on the size of the program. The methodology should include a mix of

document and record reviews, random site visits, and key informant interviews. At a minimum, reviews should be carried out every two years, but it may be useful at the beginning to schedule more frequent reviews to ensure that new data collection systems are functioning well and to fix any problems early in the implementation phase.

The reviews should be thoroughly documented in a report that will describe any weaknesses found in the a) data collection methods, b) handling and processing of data by responsible entities, and c) reporting procedures. The report should also make recommendations for overcoming those weaknesses where possible. Where it is not technically possible or cost-effective to overcome problems, the report should identify replacement indicators or data sources that would be more accurate and efficient.

Final reports from Data Quality Reviews will be made publicly available on the country's MCA website.

IV. Evaluation

To contribute to a broader understanding of what works in terms of poverty reduction programs, MCC is committed to conducting independent impact evaluations as well as incorporating this analysis into current and future program design. Impact evaluation is a critical step, in addition to program monitoring, in assessing results because of its focus on measuring the specific contribution of a project to the outcomes observed.

Every project in a Compact should undergo an independent evaluation after completion, including a review of the pre-program economic rate of return. While the evaluation section of the M&E Plan should focus on impact assessment, it may not be feasible to evaluate every project in a Compact using an impact evaluation method and other types of evaluations may need to be used.

In addition to final evaluations, M&E Plans often include mid-course evaluations or other types of special studies, including needs assessments or process evaluations. All evaluations should be described in the evaluation section of the M&E Plan and employ the most rigorous analytical methods possible. Final reports of all evaluations will be publicly available.

A. Overview: What is Impact Evaluation?

The distinctive feature of an impact evaluation, compared to other types of evaluations, is the use of a counterfactual. The counterfactual identifies what would have happened to the beneficiaries, absent the program. Understanding and accurately estimating this “parallel world” is a key challenge of impact evaluation, and is critical in understanding whether or not the intervention in question is effective in addressing poverty and should be continued or expanded.

The following diagram demonstrates the challenge of measuring program impact. It shows the income trajectories of two groups: the “treatment” group, which receives program services, and the “control” group, which does not. In this case, both groups have the same characteristics, including having the same income trajectory prior to the beginning of the program. Once program services begin (see point A in the diagram below), incomes of those in the treatment group start to diverge from incomes in the control group. In this case, experience of the control group serves

as the counterfactual situation, allowing program managers to understand the contribution of their program to increasing incomes of beneficiaries.

Without a control group, the managers would only observe a before-and-after scenario, i.e. the difference between points A and B. However, this conclusion would overstate program impact because even those who did not participate in the program had an increase in income over the life of the program ($C > A$). The true impact of the program is actually the difference in incomes between the treatment and control groups *after* the program has taken place ($B - C$).

There are several methods for conducting impact evaluations, with the use of random assignment to create treatment and control groups producing the most rigorous results. Using random assignment, the control group will have – on average – the same characteristics as the treatment group. Thus, the only difference between the two groups is the program, which allows evaluators to measure program impact and attribute the results to the MCC program. For this reason, random assignment is a preferred impact evaluation methodology. Because random assignment is not always feasible, MCC may also use other methods that try to estimate results using a credible comparison group, such as double difference, regression discontinuity, propensity score matching, or other type of regression analysis.

B. Impact Evaluation at MCC

While impact evaluations are critical for assessing the effectiveness of individual programs or activities, as mentioned above, having a separate control or comparison group is not always feasible or cost-effective. Consequently, MCC will use impact evaluation resources where they will provide the most useful lessons. MCC evaluates how and when to fund impact evaluations based on the following criteria:

- 1. Need: Is there already clear evidence that a particular program or activity is effective?** If the answer is yes, and the evidence is based on rigorous evaluations with results applicable across populations, then there may be little need for additional research. However, eligible countries may propose program activities where largely anecdotal evidence is available to support the link between the activity and poverty reduction through economic growth. If approved in the Compact, these program activities may become candidates for an impact evaluation.

2. **Learning potential: What is the purpose of the evaluation and what lessons could we learn?** If there are similar program activities in many MCA countries or if there is an expectation to expand the program within a country in the future, then the potential for lessons learned from an impact evaluation could be quite high.
3. **Feasibility: Is it possible to create or to identify a credible control group for the intervention at a reasonable cost?** Some activities simply are not amenable to the identification of a control or a comparison group, for reasons such as scope, ethical considerations, or cost. For example, rehabilitation of a national highway may have such a broad group of beneficiaries that it is not feasible to establish a control group.

C. Impact Evaluation Design and Implementation

Impact evaluation design starts during the due diligence process. Based on the proposal, MCC works with country counterparts to identify areas where there is both a need and an opportunity to conduct a rigorous impact evaluation and discuss appropriate methodologies. Other decisions include identifying the appropriate methodology and agreeing on how evaluation results will be used. Ideally, project design and evaluation design should be developed simultaneously.

Once there is agreement on the evaluation, MCC and country counterparts should refine the key research questions and the methodology by engaging independent evaluators. Close collaboration among MCC, country counterparts, and program implementers is crucial during this phase in order to ensure that the evaluation is designed properly and will run smoothly.

Typically, there are a few steps involved in setting up the evaluation.

1. **Hiring the independent evaluator.** Soon after the basic parameters of the evaluation have been agreed on, procurement of an independent evaluator should begin so that key aspects of evaluation are appropriately incorporated into program design. MCC and the country should decide who will take responsibility for hiring the independent evaluator, which could be an individual or a firm. Key to this phase is the preparation of a Terms of Reference (TOR) for the evaluator, which should provide the evaluator with appropriate guidance and parameters for the study.

- 2. Refining the methodology and incorporating it into the program planning.** The independent evaluator should work closely with MCC and country counterparts, including managers and implementers, to finalize the methodology and incorporate it into the implementation plans for the program. It cannot be emphasized enough that this should be done early on and *before* the specific program is actually rolled out. Specifically, evaluation planning should address the phasing and timing of implementation, which is crucial both for measuring results and comparing participants over time, as well as the specific means by which beneficiaries participate in the intervention. There are strong links between application or other intake procedures and how the evaluation works in practice.
- 3. Baseline and Ongoing Data Collection.** The independent evaluator and country counterparts work together to plan data collection for the analysis. Evaluations could require the additional data collection beyond that needed for performance monitoring.
- 4. Coordination and Outreach.** Country counterparts should coordinate the activities of project managers and implementers during the evaluation. They will also play a crucial role, along with the independent evaluator, in organizing outreach activities to explain the evaluation and feedback from implementers, participants and other stakeholders. Outreach may also be internal to make sure that key staff understand the methodology and its purpose.
- 5. Evaluation Component of the M&E Plan.** All of the above issues should be carefully documented in the M&E plan to serve as a reference and ongoing action plan over the course of the evaluation. Regardless of whether the evaluation is an impact evaluation or other type, the M&E plan should include descriptions of the following:
 - Key research questions and purpose of the evaluation
 - Process to hire independent evaluator (the TOR may be included as an appendix)
 - Methodology of the evaluation (including phasing issues, application procedures for program participants, beneficiary intake, etc.)

- Data collection plan (baseline, interim and final)
- Schedule of evaluation activities

V. Managing M&E in Implementation

In addition to describing the analysis of results, the M&E Plan should describe how countries will manage the implementation of M&E mechanisms and organize the variety of staff and institutions that participate in monitoring and evaluation activities. The following are key management issues that should be addressed in the M&E Plan.

A. Organization Structure and Staffing

Country implementation teams normally have one director for M&E, whose responsibilities cover all activities described in the M&E Plan, such as updating indicators, coordinating surveys, producing progress reports, collaborating on impact evaluations, and managing M&E contracts. In some cases, there may be a team of M&E staff that includes an economist, to conduct ongoing analysis, or an information technology (IT) specialist, to design data management systems, as well as short-term consultants hired to complete specific assignments such as measuring baselines or conducting data quality reviews. The composition of the staff should reflect the specific needs of the M&E Plan in terms of analysis required, capacity of staff and other implementation considerations. An organizational chart could be included in the M&E Plan to show staff positions and clarify relationships and lines of authority.

B. Management Information System (MIS)

Management plans should describe how the country intends to manage data, including storage, analysis, reporting, and disseminations, etc. During implementation, the country may choose to design and maintain the system or contract it out. In addition, some data sources may already have their own management information systems, and the MCA system should be compatible with those.

C. M&E Plan Adoption, Reviews, and Revisions

The M&E Plan must be approved by MCC sometime before implementation of the Compact begins. The M&E Plan should describe the timing and process for

any performance reviews and subsequent revisions. In addition, key stakeholders or advisory groups should review the M&E Plan at regular intervals to provide feedback on the program and how it is measured. Over the life of the Compact, the M&E Plan should help identify when problems are encountered or when there will need to be adjustments made in implementation. At the same time, any changes in implementation should be reflected in the M&E Plan. The M&E Plan itself should be reviewed periodically and revised when necessary.

D. Procurement

Procurement is an important part of program management. Country counterparts should set aside appropriate time and resources in the early stages of implementation to organize and plan for M&E procurements. Key M&E procurements could include: data quality reviews, database development, surveys, evaluations, special studies, or software and other equipment for data management and analysis.

E. Outreach and Coordination with Key Stakeholders

As the observer and manager of Program results, the country's M&E staff will play an important role regarding outreach related to the Compact. The unit should work closely with communications staff to disseminate and explain indicators, targets, and results. In addition, outreach includes making sure that the M&E Plan, Quarterly Progress Reports, Data Quality Reviews, evaluations and special studies are publicly available and easily accessible to a variety of audiences.

In addition to conducting outreach activities, the country's M&E staff will need to coordinate closely with project managers, implementers, and MCC staff to make sure that they are collecting appropriate data and that reporting reflects on-the-ground reality. Examples of this collaboration include:

- Baseline and follow-up data collection conducted by project implementers and others
- Incorporation of evaluation methods in project design and implementation
- Working with project managers to ensure that project workplans are consistent with the M&E Plan in addition to helping develop other

implementation materials such as such as terms of reference for project contracts and Implementing Entity Agreements

VI. Budgeting for M&E

Budgeting for M&E activities is an important part of planning for Compact implementation. The Compact includes a yearly budget estimate for all M&E activities, while the M&E Plan requires a more detailed breakout of this total budget and a description of the specific activities, goods, and services it will cover.

To develop the budget, countries should consider the costs of the following:

- 1. *Data collection.*** Data collection is the most important, and often the most costly, M&E activity. In most cases, data on beneficiaries may already be collected through regular household surveys or other means, and would not add any additional costs to the Compact. In other cases, existing surveys will be expanded or new surveys developed to meet the needs of the program. The M&E budget should include costs for data collection related to indicator tracking as well as data collection that may be required for any impact evaluations. (For more information on the types of data needed for monitoring and for impact evaluations please see the relevant sections above.)
- 2. *Data quality reviews.*** The M&E budget should include costs related to data quality reviews, taking into consideration what type of entity will be contracted to perform the review and the timing of the reviews. For example, the availability of local firms or individuals will have important cost implications for the M&E budget. In addition, earlier or more frequent reviews should be planned for in the budget. (For more information on the frequency of reviews and content, please see Data Quality Review section above.)
- 3. *Administrative data.*** In many cases, a variety of implementers will collect M&E-related information on participants or beneficiaries. In these cases, costs for collecting and reporting administrative data related to the M&E Plan could be covered under project budget(s).

4. **Evaluations or other studies.** Evaluations may be conducted directly by MCC or contracted via the Compact. If contracted via the Compact, costs of the evaluation could be included in the M&E budget.
5. **Training.** Some institutions may need additional training or technical assistance in order to perform the data collection and reporting responsibilities required by the M&E Plan. Training may also be necessary for country counterparts or implementing staff if they are taking on new roles in monitoring projects or collecting data on beneficiaries.
6. **Reporting.** Costs for reporting and dissemination of results should be included in the M&E budget. Some examples are the software needed to input and track data, as well as any associated printing and distribution costs.
7. **Eligible Country Government Contributions.** Any contributions to M&E that come from the eligible country government should be quantified and considered in budget planning, especially when the Compact will rely on data collection from existing sources. In some cases, the Compact could include a requirement that funding for certain activities continue at the current level.

There are also M&E-related costs that appear outside the M&E budget, either in other parts of the Compact budget, national budget or otherwise. For example:

- **Administrative expenses.** Where appropriate, the administrative budget includes the salaries of the M&E staff. These costs are not part of the M&E budget. Administrative expenses may also include travel costs of staff for site visits or other expenses. An MIS that integrates financial management with results information could be part of administrative expenses.
- **Consultation.** Country counterparts may participate or lead consultations with beneficiaries of the Compact. In some cases, qualitative data gathering could be part of project monitoring in the form of focus groups, community meetings, or other interviews. Costs related to consultations may or may not fall under the M&E budget, but should be considered as part of the Compact budget or government contribution.

Below is a sample spreadsheet for setting up the budget for M&E. It is meant to serve as a guide, and each budget can include or exclude items as appropriate.

Example: Budget Format

Activity	Year 1		Year 2		Year 3		Year 4		Year 5		Total
	Compact	Gov't	Compact	Gov't	Compact	Gov't	Compact	Gov't	Compact	Gov't	
	Monitoring system										
- Manuals, workshops, training											
- MIS and equipment											
- Other technical assistance											
Data quality reviews											
Surveys											
- Household survey											
- Baseline surveys											
- Follow up surveys											
Data analysis and special studies											
Reports and information dissemination											
Evaluations											
Other											
Total											

VII. M&E in Key MCC Documents

The M&E Plan is the most crucial document for monitoring and evaluation activities and should be a central source of information on the Compact for program managers, individual implementers, MCC, and other stakeholders. A sample table of contents for the M&E Plan is as follows:

1. Summary of Program and Objectives
2. Program Logic Diagram
3. Summary of Economic Analysis
4. Description of Beneficiaries
5. Monitoring Component
6. Evaluation Component
7. Description of Assumptions and Risks
8. Implementation and Management of M&E
9. Budget

Other documents related to the Compact include important monitoring and evaluation information. Below is a summary of the documents that have close links to the M&E Plan:

A. Proposal

Eligible countries should use this guidance to develop proposals with quantifiable objectives in mind. Proposals should include a preliminary M&E Plan describing the main objective or objectives of the proposal and how the objective(s) could be measured. For example, proposals should describe a set of key indicators and targets, including information on existing or potential data sources. Eligible countries should also consider how the proposed project(s) could be evaluated and other ongoing performance monitoring or evaluation activities in the sector or area.

B. Economic Analysis Spreadsheets

While not an official document, the economic analysis spreadsheets and justification materials have important linkages to monitoring and evaluation. As mentioned above, key benefit streams and their predicted values over time are often translated into indicators and targets in the monitoring component of the M&E Plan. Data used to support the analysis is also likely to be used during for performance monitoring during and after the Compact term.

C. Compact

Important M&E information is contained in several parts of the Compact document. The Compact identifies program objectives, which are translated into quantifiable indicators and targets, a description of the project or projects that will produce the expected results, a comprehensive program budget (including the M&E budget), and a summary of the M&E Plan with the key indicators, baselines, and targets for the program.

D. Disbursement Agreement

This agreement describes all of the requirements that must be met prior to each disbursement, broken out by quarter. Among those requirements are key performance targets that demonstrate whether the program is on track to meet its overall goals and objectives. Not meeting these targets could result in a review of why the project is off track and/or delays in disbursements.

E. Procurement Plan

The Procurement Plan is an important program management document that outlines the schedule and procedures for key procurements. The plan includes purchases of equipment and goods, hiring of contractors to provide services, and hiring of individual consultants. It is important to work with procurement staff to include all M&E related procurements in the plan, so that implementation of M&E activities (and subsequently project activities when baseline data needs to be collected) is not delayed.

VIII. Conclusion

This document is intended to provide guidance to eligible countries on all aspects of MCC monitoring and evaluation, from project design through Compact implementation and perhaps beyond. While the principles outlined herein apply to all countries, we recognize that every Compact provides different opportunities and challenges and thus requires a monitoring and evaluation strategy that addresses the particulars of each situation. MCC M&E and Economic Analysis counterparts are available throughout the process to collaborate with eligible country staff and to offer more detailed guidance tailored to the needs of each country.

Appendix A: Timing Chart



Appendix B: Example of Program Logic Diagram

